

## NatWest Purchasing Manager Index (PMI) Survey<sup>1</sup>, Released January 2023: Midlands Regions

### In Summary:

- The West Midlands Business Activity Index slightly rose from 48.8 in November 2022 to 48.9 in December 2022 – although, remained below the 50-growth mark for the fifth consecutive month. West Midlands firms reported lower sales, staff absences, high stock levels and uncertainty restricted business activity.
- The East Midlands Business Activity Index decreased from 47.1 in November 2022 to 45.4 in December 2022. The latest figures show a strong fall in output and remains below the 50-growth mark and has been for the seventh consecutive month. East Midlands firms indicated that weak client demand and a further fall in new orders was behind the latest decline.
- The UK Business Activity Index increased from 48.2 in November 2022 to 49.0 in December 2022.
- Of the 12 UK regions the West Midlands region was the fourth highest and the East Midlands was second lowest for the Business Activity Index in December 2022.
- The West Midlands Future Business Activity Index increased from 64.7 in November 2022 to 65.3 in December 2022. West Midlands firms that were optimistic for the next 12 months reported new product releases, projects in the pipeline and marketing efforts. Optimism was restricted due to recession risks, a challenging economic climate and weak underlying demand.
- The East Midlands Future Activity Index decreased from 62.1 in November 2022 to 59.8 in December 2022. Firms optimism for the next 12 months was hindered due to inflation and recession concerns. However, firms still remain optimistic overall with hopes of increases in client demand.
- Out of the twelve UK regions, the West Midlands was third highest and the East Midlands was fourth highest for the Future Business Activity Index in December 2022.

### In Detail:

#### Business Activity Index

- The West Midlands Business Activity Index slightly rose from 48.8 in November 2022 to 48.9 in December 2022 – although, remained below the 50-growth mark for the fifth consecutive month. West Midlands firms reported lower sales, staff absences, high stock levels and uncertainty restricted business activity.
- The East Midlands Business Activity Index decreased from 47.1 in November 2022 to 45.4 in December 2022. The latest figures show a strong fall in output and remains below the 50-growth mark and has been for the seventh consecutive month. East Midlands firms indicated that weak client demand and a further fall in new orders was behind the latest decline.

<sup>1</sup> Source: NatWest UK regional PMI report for December 2022, released January 2023. Please note, the seasonally adjusted indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease.

The following graphs show the West Midlands and East Midlands Business Activity Index trends up to December 2022:

West Midlands Business Activity Index

sa, >50 = growth since previous month



East Midlands Business Activity Index

sa, >50 = growth since previous month



Source: NatWest West Midlands PMI, January 2023

- Of the 12 UK regions the West Midlands region was the fourth highest and the East Midlands was second lowest for the Business Activity Index in December 2022. Wales was the highest with 52.0 and Northern Ireland was the lowest at 41.6.

The following chart shows the Business Activity Index across all UK regions in December 2022:

Business Activity Index

sa, >50 = growth since previous month, Dec '22



Source: NatWest West Midlands PMI, January 2023

## Demand

- The West Midlands New Business Index decreased from 48.8 in November 2022 to 46.9 in December 2022, meaning this was the seventh consecutive month for a decline in new work intakes. The decline in new business was linked to recession fears, subdued consumer spending and price pressures.
- The East Midlands New Business Index decreased from 43.1 in November 2022 to 42.6 in December 2022, the Index remains below the 50-growth mark for the eighth consecutive month. The decrease in new business was linked to economic uncertainty and the impact of inflation on customer spending.

## Exports<sup>2</sup>

- The West Midlands Export Climate Index increased from 47.5 in November 2022 to 48.0 in December 2022. Figures remain below the 50-growth mark for the fifth successive month and the latest reading indicates deterioration in trade prospects.
- The East Midlands Export Climate Index slightly increased from 48.8 in November 2022 to 48.9 in December 2022. Figures remain below the 50-growth mark for the third successive month.

The following tables shows the top export markets for the West Midlands and East Midlands in December 2022:

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Dec '22
1	USA	21.2%	45.0
2	Germany	11.1%	49.0
3	China	8.7%	48.3
4	France	6.1%	49.1
5	Ireland	6.2%	50.5

Top export markets, East Midlands

Rank	Market	Weight	Output Index, Dec '22
1	USA	12.8%	45.0
2	Germany	10.7%	49.0
3	Hong Kong	7.9%	50.6
4	Singapore	7.4%	48.1
5	France	7.1%	49.1

Source: NatWest West Midlands PMI, January 2023

## Business Capacity

- The West Midlands Employment Index decreased from 52.7 in November 2022 to 50.8 in December 2022, meaning job creation slowed to a 22-month low. While some West Midlands firms reported to filling vacancies, other firms reduced workforce numbers due to sustained declines in new business.
- The East Midlands Employment Index decreased from 49.5 in November 2022 to 48.8 in December 2022, the second consecutive month where the Index has been under the 50-growth mark. East Midlands firms reported lower staffing numbers due to non-replacement of voluntary leavers in an effort to cut costs.
- The West Midlands Outstanding Business Index decreased for the first time in three months; from 50.8 in November 2022 to 46.0 in December 2022. The decrease in outstanding business volumes can be linked to lower inflows of new businesses enabling the clearing of unfinished businesses.
- The East Midlands Outstanding Business Index decreased from 48.5 in November 2022 to 42.6 in December 2022, which was the third consecutive month with the Index under 50. East Midlands firms reported the decline in incomplete business was linked to weak client demand which allowed firms to work through backlogs.

## Prices

- The West Midlands Input Prices Index decreased from 76.7 in November 2022 to 72.0 in December 2022, the latest figures still show sharp input costs but they have retreated to a 21-month low. West Midlands firms reported higher energy, food, material, labour and overhead costs. The increase was restricted due to contained fuel prices and fee reductions.

<sup>2</sup> The Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the region. This produces an indicator for the economic health of the region's export markets.

- The East Midlands Input Prices Index decreased from 79.7 in November 2022 to 74.8 in December 2022. East Midlands still reported higher cost burdens linked to the increased supplier price. However, the increase in cost inflation eased to the slowest since April 2021 due to prices of some key inputs decreasing.
- The West Midlands Prices Charged Index increased from 64.6 in November 2022 to 65.2 in December 2022, the rate of inflation was the quickest in three months. West Midlands firms suggested that the ongoing increases in input costs were being transferred through to the clients.
- The East Midlands Prices Charged Index decreased from 65.8 in November 2022 to 63.4 in December 2022. East Midlands firms reported that higher selling prices were due to the pass-through of greater costs to clients. However, the rate of inflation was the slowest since August 2021 as any cost saving for firms were passed onto customers.

### Outlook

- The West Midlands Future Business Activity Index increased from 64.7 in November 2022 to 65.3 in December 2022. West Midlands firms that were optimistic for the next 12 months reported new product releases, projects in the pipeline and marketing efforts. Optimism was restricted due to recession risks, a challenging economic climate and weak underlying demand.
- The East Midlands Future Activity Index decreased from 62.1 in November 2022 to 59.8 in December 2022. East Midlands Firms optimism for the next 12 months was hindered due to inflation and recession concerns. However, firms still remain optimistic overall with hopes of increases in client demand.
- Out of the twelve UK regions, the West Midlands was third highest and the East Midlands was fourth highest for the Future Business Activity Index in December 2022. South East was the highest with 68.3 and the Northern Ireland was the lowest at 48.8.

The following chart shows the Future Activity Index across all UK regions in December 2022:



Source: NatWest West Midlands PMI, January 2023